

IMMEDIATE RELEASE

**J.P. MORGAN INVESTOR CONFIDENCE INDEX –**  
**OPTIMISM CONTINUES IN 3Q2014**

**Hong Kong, 16 October 2014:** J.P. Morgan Asset Management (JPMAM) today announced the results of its 33<sup>rd</sup> quarterly survey conducted for the J.P. Morgan Investor Confidence Index (JPMICI) in Hong Kong. The Index is designed to reflect local investor sentiment towards the Hong Kong market over the next 6 months. The latest quarterly results show that investor confidence remains broadly stable at the end of 3Q2014, with an index rating of 119, down 2 points as compared to June's score of 121. All Sub-Indices are therefore largely consistent, with the exception of the Global Economic Environment Sub-Index, which sees a notable decrease once again.

The highest rated individual Sub-Index is the Hang Seng Sub-Index, up 3 points to 131, whilst the Value of Investment Portfolio Sub-Index is up 1 point to 126. Both the HK Investment Environment & Atmosphere and HK Economic Environment Sub-Indices fall 1 point, to 119 and 118 respectively. Meanwhile, the Global Economic Environment Sub-Index falls 12 points, to 106, returning to levels seen earlier in the year.

Elisa Ng, Head of Retail Distribution at JPMAM, commented, "It is reassuring to see a relatively stable quarter in terms of investor sentiment, especially given past fluctuations. Investors remain generally optimistic, certainly with regards closer to home. The Hang Seng sub-Index is again the most highly rated, with 85% of investors feeling that the Hang Seng Index will be trading above 24,000 points in the next six months. Optimism is also reinforced by half of the investors seeing their investments returning a profit in 3Q2014, with only 6% enduring a negative return. As a result, 24% of investors will continue to overweight equity in this quarter and 41% are interested in income investments during the remainder of the year."

"It is the overseas market where concerns are again felt however, with the previous quarter's uplift in the Global Sub-Index being short-lived. This is partly due to the possibility of the US raising interest rates, which is the biggest concern among investors (cited by 69%). Most of the respondents feel that interest rates will have risen by the first half of next year, with 66% anticipating a subsequent negative impact on global markets. As such, one third of investors are already taking this possible interest rate rise into consideration when planning their investment strategy".

“China continues to be the most attractive overseas proposition, with 77% of investors seeing it as having the highest potential for near term growth, which is followed by the US and Japan, each voted by 39% as the market with the highest potential for growth for the remainder of 2014.”

“A-share investment in China is also promising, with 51% of all investors being interested, and nearly as many, at 47%, are already planning their investment strategy with the Shanghai-Hong Kong Stock Connect in mind. Perceived good returns and overweighting on stocks in the Mainland market are key drivers, cited by over half of all those interested. A lack of familiarity and perceived risk are the main barriers for investment, mentioned by 58% and 40% of those not interested in A-shares.”

“40% of investors continue to express an interest in the Mainland’s fund market under the proposed mutual recognition arrangement, with equity funds and bond funds eliciting most interest. Half of those interested investors would consider allocating 10-15% of their portfolio into China funds overall.”

Grace Tam, Global Market Strategist, JPMAM said, “Approaching the end of 2014, we expect a growing divergence in major central bank monetary policy. The market is anticipating the first Federal Reserve rate hike in mid 2015 as we witness a solid pace of job growth and modest inflation. We believe that the accelerating economic activity and supportive earnings growth will be positive for US equities in the medium term.”

“The policy outlook for Europe and Japan is at the opposite end of the spectrum. The European Central Bank (ECB) and the Bank of Japan (BoJ) are not only keeping interest rate low for an extended period of time, but are also expected to expand its monetary base. We believe the easing measure will benefit corporate earnings in both markets.”

“Therefore, we hold a positive view on developed markets (DM) equities, which are supported by potential improvement in earnings growth, and we prefer equities while are neutral on duration.”

“Rising US rates and a strengthening US dollar could be a headwind for emerging markets (EM) equities, but they are not the only factors for investors to consider. In fact, a continued expansion of the global economy, led by the US, is the most important factor in reviving the EM exports. Hence, we believe EM will catch up in the future. Within the EM space, we have a preference for emerging Asia. North Asia is likely to benefit from improving exports and the turnaround story in India with Prime Minister Modi’s business-friendly policies is also encouraging.”

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The J.P. Morgan Investor Confidence Index score is derived from asking survey respondents six questions to clarify the confidence of investors about (Q1) the Hang Seng Index, (Q2) HK economic environment, (Q3) HK investment environment and atmosphere, (Q4) global economic environment, (Q5) the possibility of personal asset appreciation, and (Q6) the possibility of increasing their investment. These 6 questions form the sub-indices of the J.P. Morgan Investor Confidence Index. The Index and all sub-indices have a range between 0 and 200. A number greater than 100 represents a positive outlook and vice versa.

Cimigo, an independent market research company, was commissioned to conduct the survey on behalf of J.P. Morgan Asset Management. The survey was developed by interviewing a random sampling of 505 retail investors (N = 505) aged between 30 and 60 who have at least 5 years of continuous investment experience with liquid assets in excess of HKD100,000. The survey was conducted during September 2014.

J.P. Morgan Asset Management has been monitoring retail investor sentiment closely within the major markets of Europe for some time by conducting an Investor Confidence Survey. This first began in London in the early 1990's with the publication of a UK Investor Confidence Index. In Asia, a similar Investor Confidence Index is commissioned by the firm in Taiwan, Korea, India, Singapore and China.

– Ends –

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Notes to Editors

J.P. Morgan Asset Management (“JPMAM”) is the brand name of J.P. Morgan Chase & Co’s asset management companies, including JPMorgan Funds (Asia) Limited.

J.P. Morgan Asset Management is a global asset management leader providing world-class investment solutions to clients. With about US\$1.7 trillion in assets under management (the Asset Management client funds of J.P. Morgan Chase & Co. as at 30 September 2014) and offices in over 30 countries around the world, J.P. Morgan Asset Management offers global coverage with a strong local market presence, and leadership positions in most asset classes.

J.P. Morgan Asset Management managed Asia Pacific client assets totalling US\$133.5 billion as at 30 September 2014. In Asia Pacific we have 8 offices, including Hong Kong as our regional headquarters, Australia, China, India, Japan, Korea, Singapore and Taiwan. With over 1,700 employees across the region, JPMAM is able to provide a constant link to these markets and to gather first-hand insights and perspective.

**Commitment to Hong Kong**

JPMAM’s investment management business in Asia has remained headquartered in Hong Kong for more than four decades and today has over 500 employees based in this location. JPMAM is one of the largest local investment managers in Hong Kong with about US\$81.5 billion (as at 30 September 2014) of funds managed across the Asia Pacific region.

As part of a major global investment group, we are committed to providing specialist teams with the resources needed to deliver successful products and performance to our clients. The Hong Kong-based Pacific Regional Group, together with the local presence of the Global Portfolios Group, Global Multi Asset Group and Global Fixed Income Groups, forms the core of JPMAM’s investment management operations. In addition to the knowledge and experience of our individual investment professionals, the stability of the team has enabled JPMAM to develop strong relationships with local clients.

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